

Message Text

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 4455

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E.O. 11652: NA

TAGS: EFIN, KS

SUBJ: FOREIGN REGULATION OF FOREIGN BROKERS AND UNDERWRITERS

REF: STATE 079749

1. REFTEL REQUESTS INFORMATION REGARDING REGULATION OF FOREIGN BROKERS AND UNDERWRITERS IN KOREA. FOLLOWING IS RESPONSE TO QUESTIONS RAISED:
2. IN PRINCIPLE, A U.S. OR OTHER FOREIGN BROKERAGE FIRM COULD PARTICIPATE IN JOINT VENTURE KOREAN BROKERAGE FIRM WITH MINIMUM OF 50 PER CENT KOREAN OWNERSHIP. FIRM MUST BE A CORPORATION AND ALL OFFICERS MUST BE KOREAN NATIONALS.
3. IN PRACTICE, KOREAN MINISTRY OF FINANCE IS NOT APPROVING FURTHER APPLICATIONS FOR REGISTRATION AS BROKERAGE FIRM ON GROUNDS THAT MARKET IS SATURATED BY 29 EXISTING FIRMS. ONLY 115 FIRMS HAVE SECURITIES TRADED ON THE KOREAN STOCK EXCHANGE. THE MARKET FOR SUCH SECURITIES REMAINS VERY THIN, ALTHOUGH ITS PROMOTION REMAIN A PRIORITY GOAL OF THE ROKG IN ITS EFFORTS TO MOBILIZE CAPITAL FOR THE FULFILMENT OF THE HEAVY AND CHEMICAL INDUSTRIES EXPANSION PLAN.
4. CURRENT LAWS AND PRACTICE PROVIDE NO GUIDANCE AS TO WHETHER FOREIGN FIRM COULD OPEN BRANCH OFFICE IN KOREA TO SELL FOREIGN SECURITIES TO FOREIGN COMMUNITY RESIDENT HERE. KOREAN NATIONALS AND CERTAIN PERMANENT RESIDENTS ARE NOT PERMITTED

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TO HOLD FOREIGN CURRENCY OR FOREIGN SECURITIES WITHOUT BANK

OF KOREA PERMISSION, NORMALLY GRANTED ONLY IN CONNECTION
WITH APPROVED INVESTMENT ABROAD.

5. KOREAN FIRMS WISHING TO MAKE A PUBLIC ISSUE OF THEIR STOCK
MUST FIRST APPROACH SECURITIES FIRM, BANK FINANCE COMPANY
OR THE KOREA INVESTMENT CORP. ONE OF THESE ORGANIZATIONS
WILL CONDUCT AN INVESTIGATION INTO THE FIRM'S FINANCIAL STATUS
AND ASSIST IN SUBMITTING AN APPLICATION TO THE MINISTRY OF
FINANCE. WHEN APPROVED, THE PUBLIC ISSUE IS ADMINISTERED BY THE
KOREA STOCK EXCHANGE.
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